

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Office of the State Actuary**

Audit Period  
**July 1, 2001 through June 30, 2005**

**Report No. 6467**

Issue Date  
**December 9, 2005**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

December 9, 2005

Matthew M. Smith, State Actuary  
Office of the State Actuary

***Report on Accountability for Public Resources***

Please find attached our report on the Office of the State Actuary's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we perform an annual audit of the statewide basic financial statements as required by state law (RCW 43.09.310). We also annually audit federal programs administered by the state of Washington for compliance with federal laws and regulations. The results of these audits are published in reports issued by the Office of Financial Management.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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# Audit Summary

## State of Washington Office of the State Actuary

### ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the Office of the State Actuary for the period from July 1, 2001, through June 30, 2005.

We evaluated internal controls and performed audit procedures on the financial activities of the Agency. We also determined whether the Agency complied with state laws and regulations and its own policies and procedures. Our work focused on specific areas that have potential for noncompliance, misappropriation or misuse of public resources.

### ***RESULTS***

The Agency's internal controls were adequate to safeguard public assets. The Agency complied with state laws and regulations and its own policies and procedures in the areas we examined.

### ***RELATED REPORTS***

Our opinion on the state of Washington's Basic Financial Statements is included in the state's Comprehensive Annual Financial Report. This report is issued by the Office of Financial Management in December of each year.

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of this audit are published in a report issued by the Office of Financial Management.

### ***CLOSING REMARKS***

We thank Agency management and personnel for their assistance and cooperation during the audit.

# Description of the Agency

## State of Washington Office of the State Actuary

### ***ABOUT THE AGENCY***

The Office of the State Actuary was established within the legislative branch in 1976. Its duties are to perform actuarial services for the state's retirement systems and any other studies requested by the Legislature. The Agency also provides staff assistance to the Select Committee on Pension Policy and provides actuarial services for the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board.

The Select Committee on Pension Policy was created in 2003 to study issues and policies affecting the state's public employee retirement systems. The Committee is charged with studying benefits design, eligibility requirements and pension funding methods and making recommendations to the Legislature. In addition, the Committee:

- Consults with the chair and vice-chair on appointing members to the State Actuary Appointment committee, which appoints the State Actuary.
- Receives the results of actuarial audits administered by the Pension Funding Council.
- Reviews and makes recommendations to the Pension Funding Council regarding changes to retirement assumptions or contribution rates.

The Agency has 12 employees and had a 2003-05 operating budget of more than \$2.6 million.

### ***AUDIT HISTORY***

We audit the Agency every four years. Previously, we audited the Agency every two years, but we reduced the frequency of audits based on our risk assessment of agency operations. No findings were reported in the last several audits.

# Audit Areas Examined

## State of Washington Office of the State Actuary

In keeping with general auditing practices, we do not examine every portion of the Office of the State Actuary's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas were examined during this audit period:

### ***ACCOUNTABILITY FOR PUBLIC RESOURCES***

We evaluated the Agency's accountability and compliance with certain state laws and regulations and its own policies in the following areas:

- Vendor payments
- Petty cash
- Fund 600 (Department of Retirement Systems expense account)
- Payroll
- Policy and procedures regarding purchasing, disbursements and small and attractive assets, such as computers

### ***FINANCIAL***

We perform an annual audit of the statewide combined financial statements as required by state law (RCW 43.09.310). These financial statements are included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management. The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity.

The Agency had no accounts material to the state's basic financial statements.

### ***FEDERAL PROGRAMS***

Federal grant audit work is performed on a statewide basis, in accordance with the revised Single Audit Act. We select federal programs for audit using risk-based criteria set forth in the U.S. Office of Management and Budget Circular A-133.

The Agency had no major federal programs during the audit period.